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KANSAS HEALTH POLICY AUTHORITY

Kansas Health Policy Authority

Administrative Improvement Ideas

Testimony before the Senate Ways and Means
January 22, 2010

Dr. Andrew Allison, KHPA Acting Executive Director

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Overview

- **KHPA Budget Summary**
- **FY 2010 Governor's Allotments**
- **Expected impact of 10% reduction in provider payments**
- **Alternative sources of savings**

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Brief Overview of KHPA's Budget

- **KHPA's FY 2009 budget was about $2.6 billion**
  - $1.36 billion was non-SGF funding for KHPA medical programs
  - $800 million was federal funds passed through to other Medicaid service agencies (SRS, KDOA, JJA, KDHE)
  - $450 million was SGF funding for services and operations
- **KHPA programs and operations are funded separately**
  - FY 2009 operational funding was $23 million SGF
  - Caseload costs are about 20 times larger than operational costs
  - Caseload savings cannot be credited to cost-saving operations
  - The federal government matches Medicaid operations at 50-90%
  - Operational costs for the state employee plan are funded off-budget through standard charges to agencies for each participating employee
- **KHPA FY 2010 budget reductions concentrated on operations**
  - Medicaid caseload protected due to Federal stimulus dollars
  - KHPA operational funding reduced 15.5% versus FY 2009

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FY 2010 Governor's State General Fund Allotments *July 2009*

- FY 2009 Caseload Savings ($5,300,000)
- Expansions to Pregnant Women ($524,000)
- Increased FMAP Rate ($6,300,000)

- <u>No impact on current services</u>

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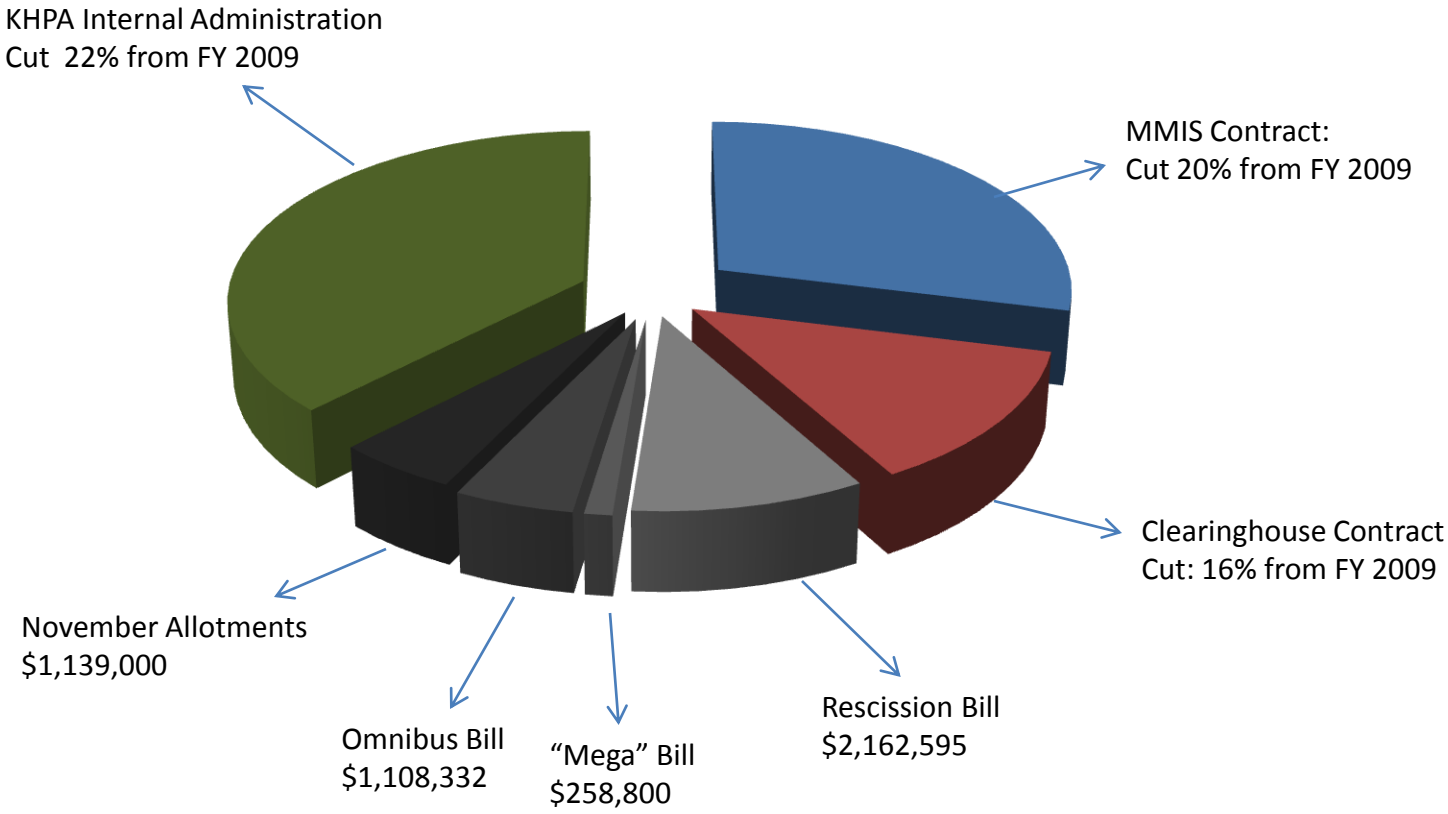
FY 2010 Governor's State General Fund Allotments *November 2009*

- **Caseload reductions**
  - Across-the-board 10% reduction in Medicaid provider rates
  - Limitation on MediKan benefits to 12 months
- **Administrative reduction of $1.13 million SGF**
  - Total impact is $2.5 million all-funds
  - Cumulative 20.5% reduction since approved FY 2009
  - Allotment represents 5% reduction on FY 2009 base
- **SCHIP reduction of $1 million SGF**
  - Growing backlog may reduce pressure on funding
  - Waiting to see the impact of the January 1st expansion in coverage to children between 200% of the FY 2009 poverty level and 250% of the 2008 poverty level

FY 2010 Operating Budget After Allotments

FY 2009:	**$22,814,018**
Rev. FY 2010:	**$18,145,291**
Total Cuts:	**$4,668,727 (20.5%)**



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Reducing Medicaid Spending: Health Care Management and Quality Improvement

- Reduction Options Included in FY 2011 Budget Submission
  - Streamline Prior Authorization in Medicaid
    - $243,000 SGF/ $952,000 AF
  - Mental Health Pharmacy Management
    - $800,000SGF/ $2.0M AF

Pharmaceutical Policy In Medicaid

- In order to make cost saving changes in Medicaid Pharmacy, KHPA must add drug classes to rules and regulations. KSA 39-7,120
  - Change rules and regulations process to include only drug classes and not specific drugs
    - Increases agency flexibility to keep pace with changes in the pharmaceutical marketplace
      - Leads to faster realization of savings

Current PDL/PA Process

- A drug or drug class goes through the Drug Utilization Review (DUR) Board for consideration
  - When agreed, a drug or drug class is added to the PDL or put on PA though a KHPA Policy.
  - The policy then goes through the Administrative Rules and Regulations process
  - It generally takes 5 months to get something through the rest of the process and to make the change

Create a Caseload Investment & Savings Process

- Most savings ideas in Medicaid result in decreases in caseload spend
- Some savings ideas require up-front investment
- There is currently no mechanism to allow agencies to make investments in order to realize the savings
- Creating a capped, tracking and savings mechanism would result in more timely and thorough savings in Medicaid

http://www.khpa.ks.gov/